

FISCAL MEMORANDUM
HB 2354 – SB 2326

April 24, 2007

SUMMARY OF AMENDMENT (006972): Deletes the language of the original bill. Increases the cigarette excise tax from 20 cents to 60 cents per pack; requires all cigarette tax revenue generated from the increase to be deposited into the Education Fund, provided that \$21.0 million be allocated to the Department of Agriculture for the Tennessee Agriculture Enhancement Program.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenues - \$221,940,000 / General Fund
 \$7,198,000 / Education Fund
 \$41,000 / Department of Revenue
 \$102,000 / Sinking Fund
(An amount equal to \$219,600,000 is included in the Governor's FY07-08 Budget Document)

Increase State Expenditures - \$200,000 One-Time
 \$220,000 Recurring

Increase Local Govt. Revenues - \$4,062,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenues –
 \$3,209,000 – General Fund
 \$204,929,000 – Education Fund
 \$21,000,000 – Earmarked to Dept. of Agriculture
 \$41,000 – Department of Revenue
 \$102,000 – Sinking Fund
 \$229,281,000 – Total Recurring Increase of Revenues

(An amount equal to \$219,600,000 is included in the Governor's FY07-08 Budget Document)

Increase State Expenditures –
 \$21,000,000 Recurring – Department of Agriculture
 \$220,000 Recurring – Department of Revenue
 \$200,000 One-Time – Department of Revenue

Increase Local Govt. Revenues - \$4,062,000

<BillComp>

Assumptions applied to amendment:

- The amount of revenue estimated to be generated from this bill as amended will not change from the amount estimated for the original bill; only the allocations of such revenue will change.
- \$218,731,000 has been estimated for incremental excise tax revenue.
- \$21,000,000 of the \$218,731,000 will be allocated to the Department of Agriculture for the Tennessee Agriculture Enhancement Program; the remaining \$197,731,000 will be allocated to the Education Fund.
- \$11,058,000 has been estimated for incremental state sales tax revenue.
- The \$11,058,000 in incremental state sales tax revenue would be apportioned according to statute as follows: \$3,209,000 to the General Fund, \$7,198,000 to the Education Fund, \$508,000 to local governments, \$41,000 to the Department of Revenue, and \$102,000 to the Sinking Fund.
- The net recurring increase to state revenues resulting from incremental state sales tax collections is estimated to be \$10,550,000 (\$11,058,000 - \$508,000 local share = \$10,550,000) per year.
- The total net recurring increase to state revenues resulting from the increased excise tax is estimated to be \$229,281,000 (\$218,731,000 from additional excise tax + \$10,550,000 from additional sales tax = \$229,281,000) per year.
- \$3,554,000 has been estimated for incremental local option sales tax revenue.
- The total net recurring increase to local government revenues resulting from the increased excise tax is estimated to be \$4,062,000 (\$3,554,000 in local option tax revenue + \$508,000 in state-shared sales tax revenue = \$4,062,000).
- Revenues equal to \$219.6 million resulting from a proposed 40-cent increase to the cigarette excise tax have been included in the Governor's FY07-08 Budget Document.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc